Focus on Cosmetics

Chains wage battle for cosmetics market

By Marjorie Shaffer

Drug stores are gearing up to defend their share of the $7 billion cosmetics and fragrance industry, as mass merchandisers and food stores continue to grab an increasing number of cosmetics customers.

It's going to be an uphill battle. According to the most recent A. C. Nielsen figures, drug stores held a 60% share of the color cosmetics market, which includes eye, lip, nail and facial makeup, losing two market share points to mass outlets. In 1984, mass merchandisers carved out a 24% share, up from 22% the previous year, while food stores held steady at 16%.

Breaking it down by category, drug stores lost three percentage points to mass merchandisers in the eye makeup market in 1984. Drug stores held a 56% share, or $235 million, down from 59% in 1983. Mass merchandisers had a 26% share last year, up from 23% in 1983, while food stores held steady at 18% share.

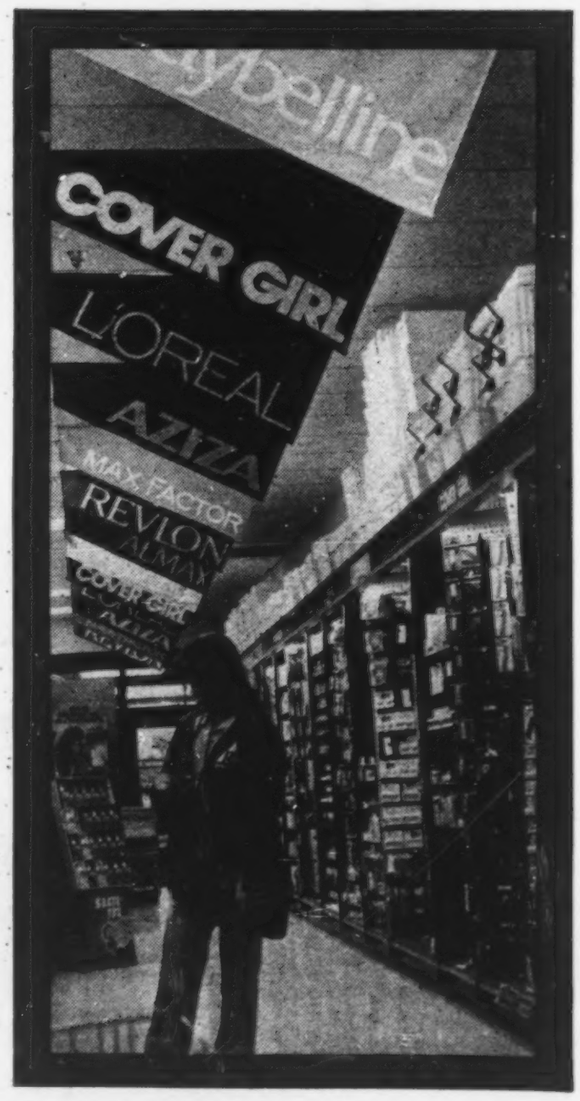
In lip, drug stores held onto their commanding share of the market with a 65% share, or $195 million, according to Nielsen. In facial makeup, drug stores held a 60% share, or $240 million, but lost over one market share point to mass merchandisers since 1983. In facial creams and lotions, drug stores still command the lion's share of the market with a 58% share, or $240 million, but lost almost one point to mass merchandisers since 1983.

While the battle rages for the cosmetics dollar, drug stores are creating a more upscale image, while also appealing to the low end of the market. By covering all bases, retailers are hoping to offer increasingly price-conscious consumers the best of everything, and, by most accounts, they are succeeding.

At Genovese, for example, buyer Stephanie Hayter told *Drug Store News* that the chain is upgrading its planograms and expanding its entire cosmetics department to about 84 linear feet. Pegged cosmetics are targeted for expansion and a separate skin treatment area of about 8 ft. is also in the works. And the chain is also testing two prestige makeup lines, Arden and Lancome, in 12 stores. "Our customers expect to find prestige products," says Hayter.

At Carl's, buyer Tom Neville says that the 42-store chain based in Rome, N.Y., is making a major push to upgrade all cosmetics departments. "We've decided to heavily promote our image as a cosmetics store," says Neville.

Continued on page 17



Inside Cosmetics

22 • Nail care and men's fragrances
25 • Change profile: Austin
28 • Portrait of a cosmetics buyer
31 • Beauty Beat
32 • Chain profiles: Cunningham's and Bill's
35 • New products

COSMETICS Applying creative strategies

Cosmetics battle

Continued from page 15

Along those lines, franchised cosmetics like L'Oreal and Revlon are going to be expanded, while the chain is also adding more lines to its budget-end pegged lines. Neville estimates that L'Oreal sales at Carls rose 80% and Revlon sales climbed 162% since last year. L'Oreal will be expanded to 6 ft. from 4 ft., and Revlon to 12 ft. from 5 ft., notes Neville.

And at Super D, a 102-store chain based in Memphis, Tenn., buyer Karen Pratt says that pegged cosmetics lines will be expanded and major promotions are planned with Noxell ,Warner Cosmetics, and other manufacturers.

Makeup

According to the Smith Barney, Harris Upham & Co. survey of fragrance and cosmetics chain and independent drug store buyers released in March, Noxell's Cover Girl line was "overwhelmingly voted the No. 1 best-selling makeup," with 61.4% of the vote. Cover Girl also ranked high on buyers' lists for marketing ability and about 66% said that Noxell's sales force was about average to excellent.

Revlon ranked second with 36% of the vote, and Maybelline took third place with 26.3%, bumping L'Oreal out of the running. Factor was runner-up with 10.5% of the vote.

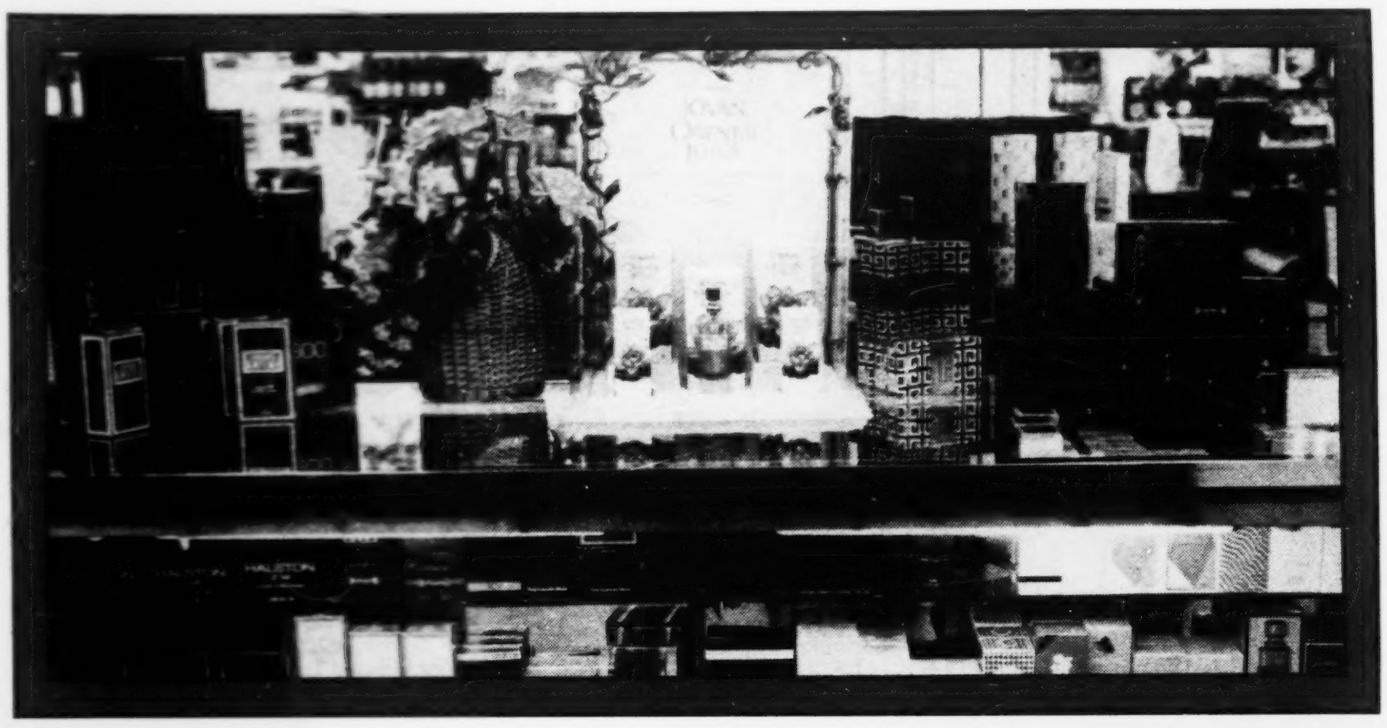
Considering the small number of Cover Girl sku's vs. Revlon's, Noxell's dominance in this survey was impressive.

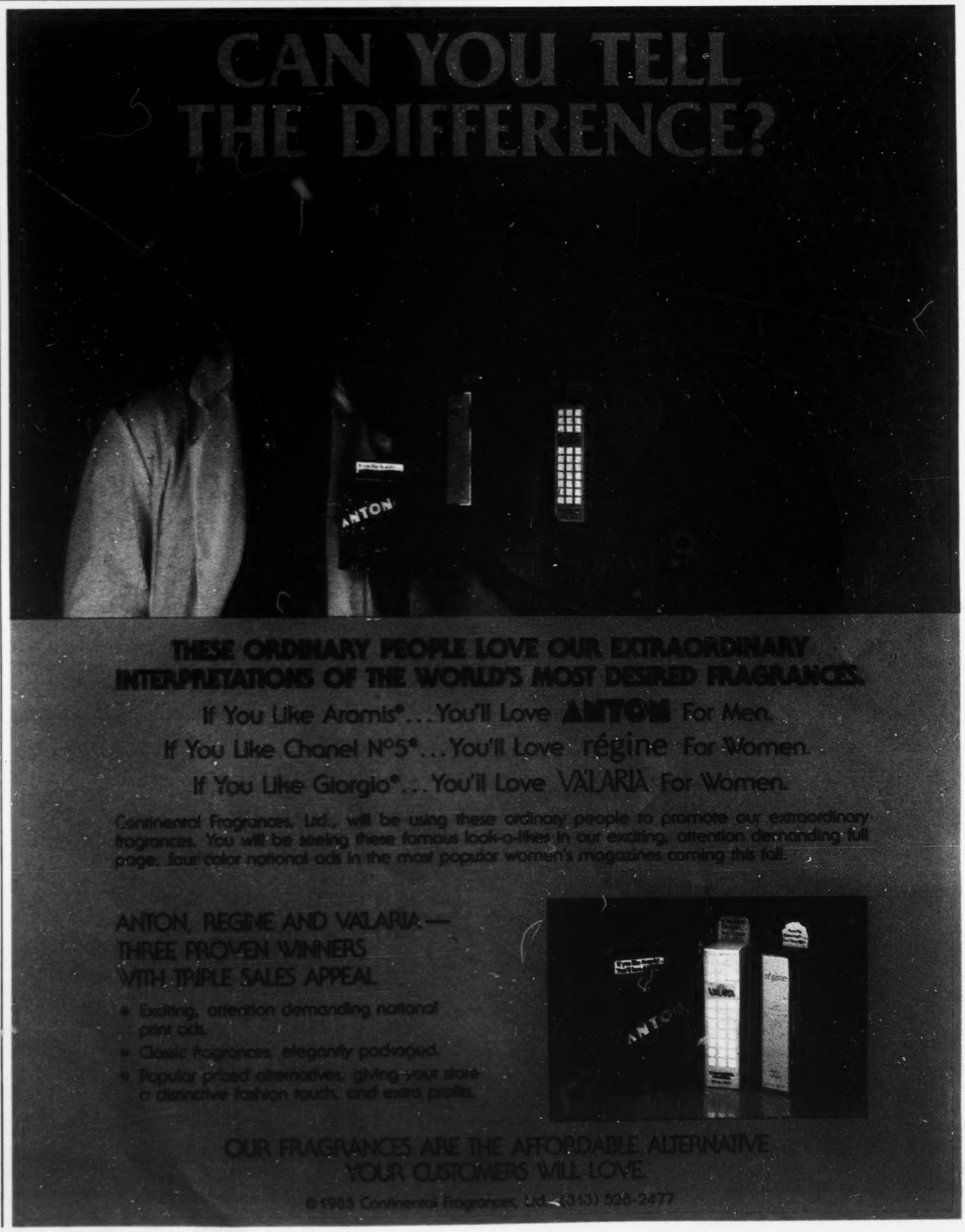
It will be interesting to see if the voting pattern changes once L'Oreal's 20-sku Visuelle line is firmly entrenched in drug stores. Helen James, a buyer for Hook's, for example, reports that the chain is rearranging its pegged cosmetics lines by increasing the space for L'Oreal to about 8 ft. from 5 ft., and cutting back Factor to 5 ft. from about 7 ft.

However, Pat Duckworth, buyer at Peoples, adds that while the Visuelle line is upscale and beautifully displayed, the least selling item right now is liquid makeup (part of the Visuelle line). Summer, she notes, is not the right time to push a liquid.

In other developments, buyers are looking forward to the introduction of cosmetics lines packaged according to

Continued on page 18




CAN YOU TELL
THE DIFFERENCE?
ANTON
THESE ORDINARY PEOPLE LOVE OUR EXTRAORDINARY
INTERPRETATIONS OF THE WORLD'S MOST DESIRED FRAGRANCES.
If You Like Aramis*...You'll Love ANTON For Men.
If You Like Chanel N°5*...You'll Love régine For Women.
If You Like Giorgio*...You'll Love VALARIA For Women.
Continental Fragrances, Ltd., will be using these ordinary people to promote our extraordinary fragrances. You will be seeing these famous look-a-likes in our exciting, attention demanding full page, four color national ads in the most popular women's magazines coming this fall.
ANTON, REGINE AND VALARIA.—
THREE PROVEN WINNERS
WITH TRIPLE SALES APPEAL
• Exciting, attention demanding national print ads.
• Classic fragrances elegantly packaged.
• Popular priced alternatives, giving your store a distinctive fashion touch, and extra profits.
ANTON
OUR FRAGRANCES ARE THE AFFORDABLE ALTERNATIVE
YOUR CUSTOMERS WILL LOVE
©1985 Continental Fragrances, Ltd. (313) 528-2477

Applying Cosmetics

Chains wage battle for cosmetics market

Continued from page 17

the seasons. Genovese's Hayter says that Seasons, a new 10-sku line based on the "color me beautiful" theory, is "new and different, so we'll see if it does anything interesting."

In Canada, buyers have already previewed Cosmair Canada's four-season one-time promotion. The kits, which contained lip, nail and eye shadow, along with support material, "did very well" says Vikki Williams, vp of cosmetics at Shoppers Drug Mart, Canada's leading drug chain.

In the eye shadow arena, buyers also note that Revlon's Custom Eyes continues to sell well. Revlon reports that the line, since its launch in late 1983, has pulled in sales of $20 million. The company also reports that it has spent over $6.5 million promoting the line.

Revlon will be following up on the Custom Eyes concept—refillable eye shadow pans—when it launches Custom Blush in the fall.

Skin treatment

Revlon ranked No. 1 in the Smith Barney survey with 50% of the vote, followed by Almay and Revlon's European Collagen Complex. Oil of Olay was runner up with 20.8% of the vote.

Super D's Pratt told *Drug Store News* that skin treatment has been slow, except for Almay. Genovese's Hayter also notes that the chain has seen sales increases in Almay following an upsurge in advertising for the line.

Lip

The big news in lip is "mood" sticks.

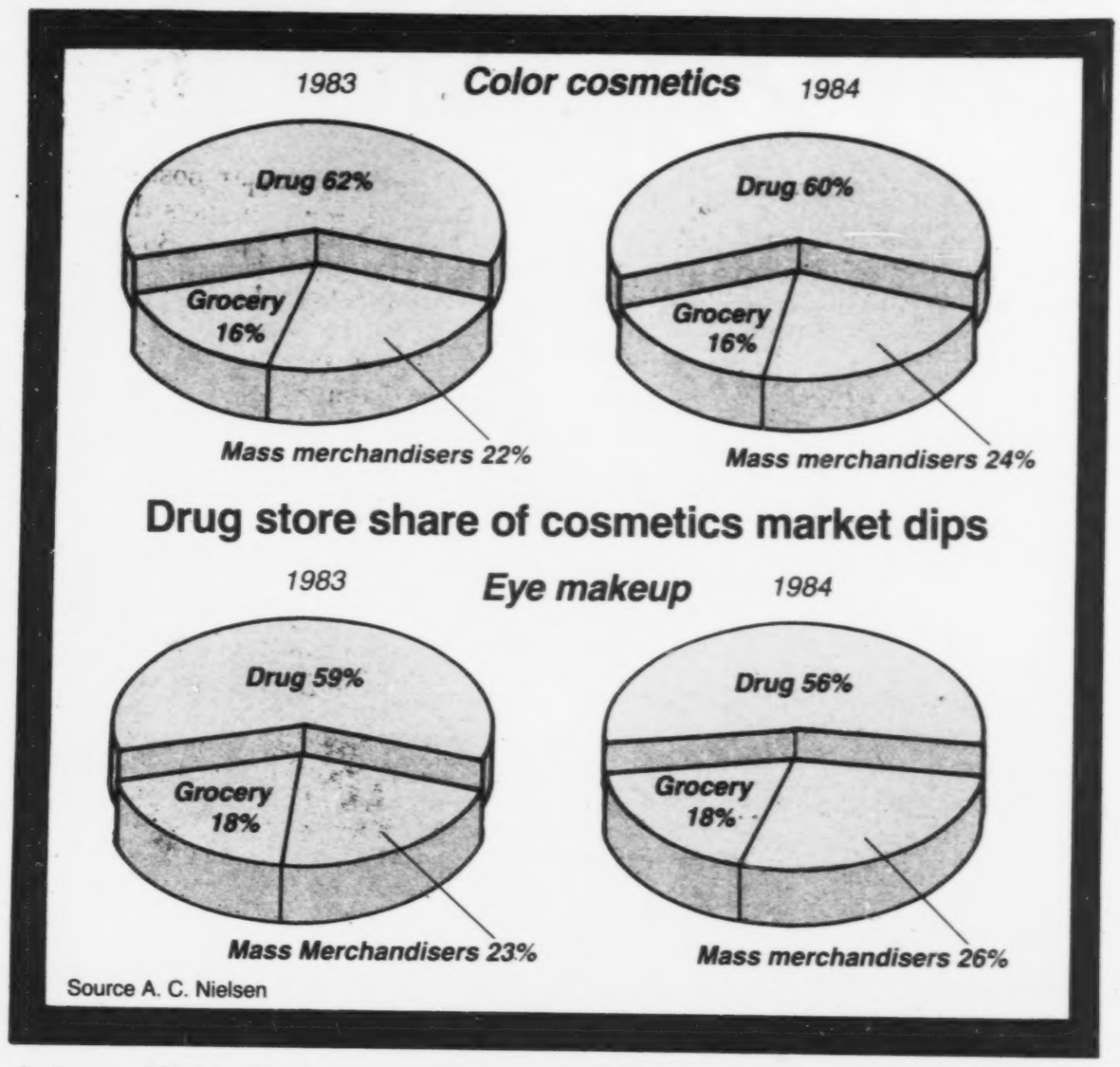
Pat Duckworth, buyer at Peoples reports that the sticks, which change color after application, are the hottest items around. Other buyers concur, but everyone is skeptical that the product will "stick" around for a long time.

One buyer for a large western chain says that the lipsticks are "very successful, but are just a fad." And Vikki Williams at Shoppers wonders whether today's sophisticated cosmetics customers are going to take to such novelty items.

Helen James at Hook's notes that the quality of some of the lipsticks is questionable, and she terms the product an "in and out item." But Shirley Northrop, a buyer for British Columbia-based London Drugs notes that the lipsticks, which have just come into the stores, is a "terrific idea," though she also wonders how long the fad will last.

Fragrances

Vanderbilt remains the best-selling women's fragrance in drug stores, according to Smith Barney. Over 70% of the buyers surveyed for the report gave Vanderbilt top honors, and a huge lead over second-placed Forever Krystle, which received 25.7% of the vote. Tied for third place was Ciara and Halston, each with 13.3% of the vote.



Aviance Night Musk from Chesebrough-Pond's was runner-up with 10.5% of the vote.

Most buyers interviewed by *Drug Store News* for this article report excellent sales of Forever Krystle, especially during Mother's Day, but the long-term outlook for the fragrance is unknown, although it will be supported strongly during this year's Christmas season in most chain drug stores.

But the real story in fragrance is prestige brands, often diverted, which account for as much as 30% of volume in some chain drug stores. Not only have prestige fragrances brought an upscale look into drug stores, they have also been a terrific traffic draw. Indeed, the fragrance selection in many drug stores rivals that of many of the finest department stores.

Peoples' Duckworth, for example, says that prestige fragrances are consistently strong sellers, particularly during Christmas when sales dramatically increase. Last August, Peoples began planogramming prestige brands chainwide and today the chain carries 21 basic sku's behind a glass cabinet.

At Super D, Pratt estimates that the chain carries over 50 sku's of prestige brands. Although gross margins are low, she notes that the products are big sellers, and some lines, such as Estee Lauder and Polo, are difficult to keep in stock.

Carl's started carrying prestige fragrances last year and now carries 25 sku's, accounting for about 25% of fragrance volume. "We offer a better price than our competitors, but we don't make much of a profit," says Neville.

The heavy hitters in the prestige business are the Canadian chains like London Drug and Shoppers, which, unlike their U.S. counterparts, do not have to resort to diverters. Northrop at London Drug says that the chain carries 93 women's prestige brands and 43 men's fragrances. Among the top 10 women's fragrances are Opium, Chanel and Nina Ricci.

Continued on page 21

Applying new strategies COSMETICS

Chains wage battle for market

Continued from page 18

At Shoppers, Williams notes that prestige fragrances, which account for 50% of all brands, are hot. She also points out that Shoppers gets a lot of exclusive promotions with many prestigious fragrance manufacturers. Shoppers also relies heavily on generic purchase with purchase promotions.

Although Williams notes that diversion knocks down gross margins, she also says that it has its advantages. For example, a buyer can choose just the best-selling sku's of a diverted line, which frees up inventory dollars, she points out.

Body sprays

Body sprays, which showed strong sales in 1984, may be flattening out because of too many introductions. The major brands, Body Flowers and Impulse, are strong in some markets, but weak in others.

Greg Ostroff, a cosmetics analyst with Goldman Sachs, says that the category will not last. "It never really took off," he notes. "Lots of ad bucks were spent for nothing in return."

Other observers, however, disagree. One buyer from a Seattle, Wash.-based chain, for example, reports that body sprays, in general, have fared poorly, but that the Parfums de Coeur line of fragrances has shown some strength.

Super D's Pratt agrees. She notes that while Impulse sales are slowing down, the Designer Imposters are big sellers. She says that the chain is replacing Body Flowers with the Parfums de Coeur line and carrying the line as basic stock.

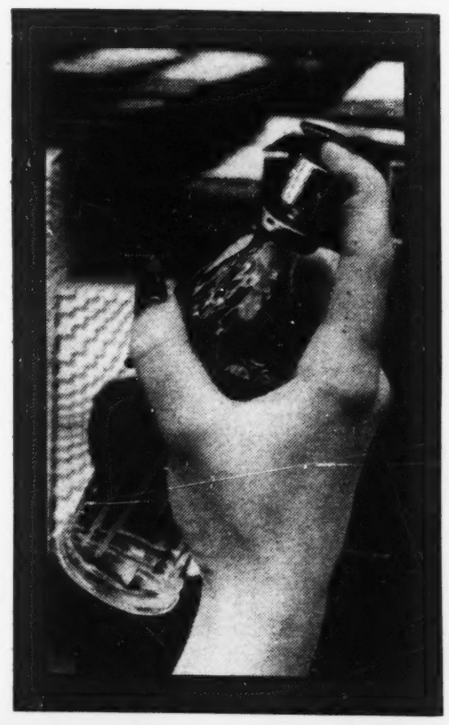
Parfums de Coeur's new Primo!, a Giorgio knock-off available in cologne, perfume and body spray, is selling well in some areas, according to initial reports from some buyers.

According to Mark Laracy, president of Parfums de Coeur, about nine Giorgio knock-offs are currently making the rounds.

Laracy estimates that the company has sold over $10 million worth of its Designer Imposter body sprays and perfumes to drug stores.

Some buyers also liked the company's Christmas promotions—Designer Imposter Elves stocking stuffers, which will retail for about $2.50.

In the following section, *Drug Store News* takes an in-depth look at two growth categories: men's fragrances and nail.



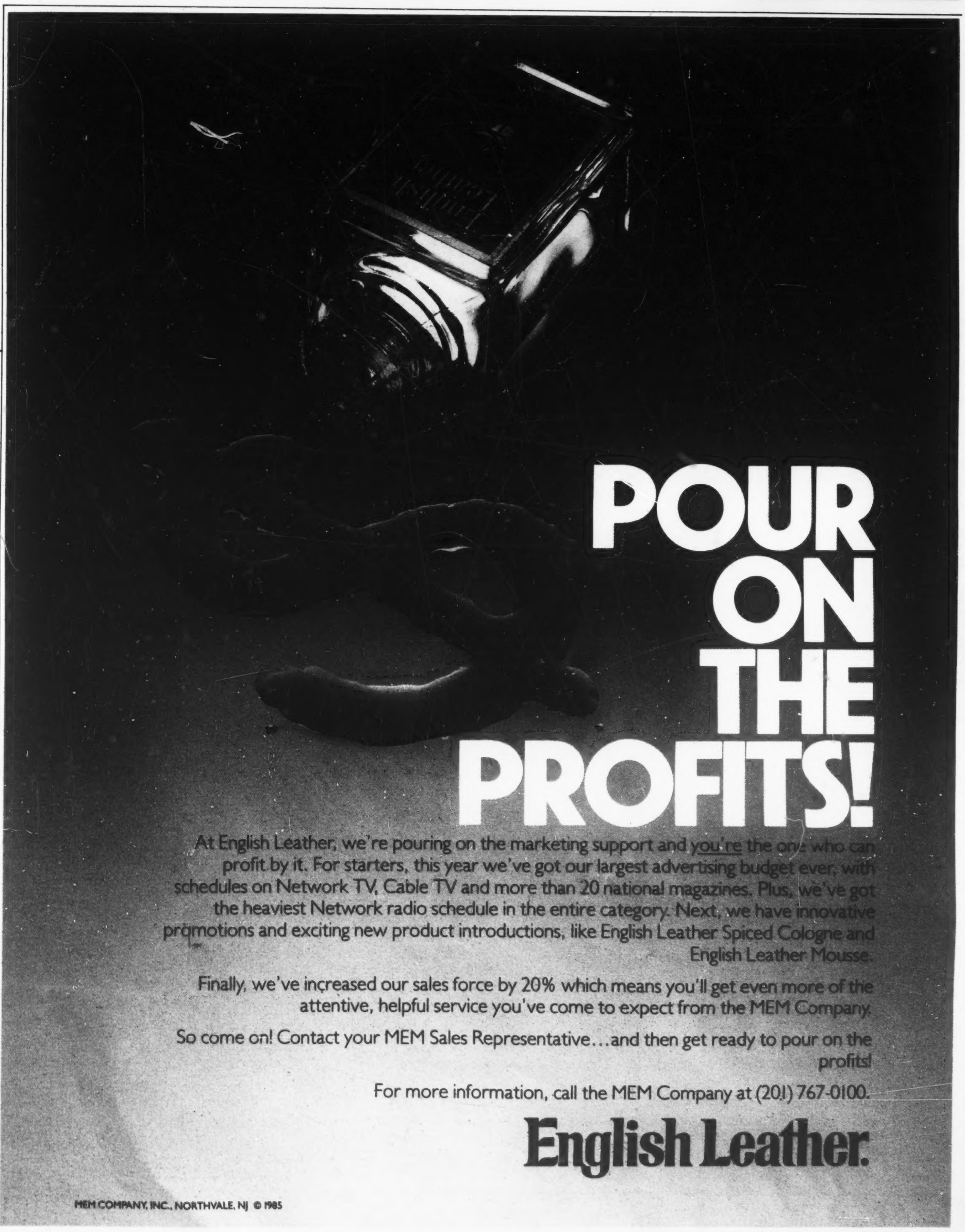
The One Scent Phone Call. 1-800-255-9209.

Minimum order of a big name fragrance? No problem. We'll ship only what you need. Even one bottle. Promptly. Reliably.

Call Designer Fragrances toll free. For any fragrance retailer we deliver what we promise. And that makes good business scents.

designerfragrances

Good Business Scents
P.O. Box 529
Addison, Texas 75001
(214) 248-1651
Outside Texas
call toll free
1-800-255-9209


POUR ON THE PROFITS!
At English Leather, we're pouring on the marketing support and you're the one who can profit by it. For starters, this year we've got our largest advertising budget ever, with schedules on Network TV, Cable TV and more than 20 national magazines. Plus, we've got the heaviest Network radio schedule in the entire category. Next, we have innovative promotions and exciting new product introductions, like English Leather Spiced Cologne and English Leather Mousse.
Finally, we've increased our sales force by 20% which means you'll get even more of the attentive, helpful service you've come to expect from the MEM Company.
So come on! Contact your MEM Sales Representative...and then get ready to pour on the profits!
For more information, call the MEM Company at (201) 767-0100.
English Leather.
MEM COMPANY, INC., NORTHVALE, NJ © 1985

C5150-2

Pharmacy:
N.J. group opposes discount scripts—p. 21

Beauty Beat:
New nail care pen being previewed—p. 17

Merchandiser:
Conversions bolster cough/cold—p. 13

DRUG STORE NEWS®

Vol. 7/No. 15 **Serving chains, wholesalers and high-volume independents for 56 years.** Published by Lebhar-Friedman Inc. July 8, 1985

American's aim for '86: 20 new combo stores

SALT LAKE CITY — American Stores expects to open about 20 combo stores during fiscal 1986.

The combos, which security analysts say yield the company a 20% return on investment, will be located in Wichita, Kan., and Wichita Falls, Tex.—both markets identified by chairman L. S. "Sam" Skaggs as having plenty of "growth potential."

• **See related story page 3**

The new combos will be operated either under the Skaggs/Alpha Beta banner or as Jewel/Osco stores.

With about 262 combos now in operation, American is the country's leading operator of pure combination stores. Some chains define combo stores as any food store with a pharmacy department, but American's combos literally include a full size drug store with pharmacy, cosmetics and expanded health & beauty aids, under the same roof as its food store. As of March 31, 1985, American had 92 Skaggs Alpha Beta combos, 116 Jewel-Osco combos and three Buttrey-Osco combos, all in a total of 28 states.

In fiscal 1986, American tentatively will open 36 combination food and drug stores. American will not comment on growth plans for 1987 and beyond but the common expectation is that the company will continue to expand.

Whenever American talks about future growth prospects, it always identifies combo stores as well as "super" sized drug stores and expanded food stores as preferred growth vehicles.

The company has targeted some $280 million for capital expenditures in 1986 and analysts are estimating that approximately 30% will be spent on combo store development.

The company also plans to build at least 13 "super" Osco drug stores in fiscal 1986 as well as perhaps as many as half a dozen "expanded food stores."

The expanded food store is a new prototype for American's Acme store division. Six expanded food stores were initially expected to open in fiscal

Continued on page 30

American now owns 92 Skaggs Alpha Beta combo stores.

Fay's buys 8 Genovese units

LIVERPOOL, N.Y. — The agreement by Fay's Drug Co. to buy eight Genovese stores in Connecticut and Massachusetts is like one of those player deals in which both teams come out winners.

When the deal is final, probably by the end of this month, Fay's will have eight new stores in markets in which it now has virtually no presence. The addition will bring Fay's store count to 128.

Henry A. Panasci Jr., chairman of the chain, said the acquisition will provide the company "with a core of stores in the Greater Hartford and Springfield markets that will serve as a nucleus for further expansion in westerm Massachusetts and Connecticut."

For Genovese's part, the deal means that it will be able to redirct some of its assets into a market that promises a greater return.

Leonard Genovese, chairman and president, said the sale "will allow Genovese to concentrate its efforts and expansion plans in the Greater New York Metropolitan and Long Island markets.

"The Metropolitan New York market offers the greatest opportunity for growth and profitability for an aggressive drug store chain," Genovese said. "Only 50% of the pharmacy/drug store business in New York is done by chains—a figure well below the national average."

Continued on page 29.

SGC's growth agenda calls for more deep-discount units

SECAUCUS, N.J. — Supermarkets General Corp. will open 12 to 15 freestanding drug stores this year, half of which will operate under a deep-discount format, including the company's first in Albany, N.Y.

Leonard Lieberman, SGC's president and ceo, told shareholders at the company's annual meeting here that with 15 deep-discount units already in operation, "SGC has rapidly become one of the largest operators of deep-discount drug stores in the country."

The deep-discount stores include the recently acquired Heartland units and the Pathmark Super Drug units which were unveiled in Baltimore last year.

However, rapid store growth has temporarily put a dent in the drug store division's operating income, said Lieberman, who added that its performance "has declined principally as a result of the new store expansion."

Three of the new deep-discount units will be Heartland drug stores, the off-price chain that SGC acquired as part of the Purity Supreme purchase last year. The remaining three deep-discount stores will carry the Pathmark Super Drug banner.

Underscoring the importance of the company's growing drug store and nonfood sales in its grocery stores, Leonard Lieberman, SGC's president and ceo, told shareholders here that drug and nonfood sales represented

Continued on page 30

TE NEWS....LATE NEWS....LATE NE

BI-MART, Pay 'n Save's 33-store membership discount drug chain, is revving up for an expansion program with the leasing of a 100,000-sq.-ft. distribution center in Eugene, Ore. Starting in the fall of 1986, Bi-Mart will add 11 to 15 new stores in Oregon and Washington over a five-year period. Bi-Mart currently operates 28 30,000-sq.-ft. stores in Oregon and five in Washington.

Merchandising is stressed at Pr in

0023447C DR
MS JEANNE LONG
CONGRESSIVE INFO SRVCS I IFD
4520 EAST WEST HIGHWAY
BETHESDA MD 20814

Dart Group recruits E. F. Hutton to plan Eckerd battle strategy

By Bruce Buckley

CLEARWATER, Fla. — At presstime, a state of siege had developed in the war of nerves between Jack Eckerd Corp. and Dart Group Inc.

Dart had mobilized a heavy financial artillery outfit, E. F. Hutton, for the next phase of a possible final encounter to take over Eckerd.

And Eckerd had drawn up its defenses in the form of a billion-dollar line of credit and a lawsuit charging Dart with violating securities law and asking that Dart be enjoined from further purchases of Eckerd stock.

The next move would be Dart's, and no one on the outside had a clue as to whether the small corporation headed by the cash-and property-rich Haft family would try to swallow the industry giant. Some say the price-tag could go as high as $40 a share, or $1.5 billion.

There was a great deal of speculation about a possible white knight. Imasco Ltd., the Canadian conglomerate that owns Shoppers Drug Mart and Peoples Drug Stores, and Rite Aid were among those added to the speculative list of suitors that already included K mart, J. C. Penney, Sears and Safeway.

Eckerd was sticking to its statement that it would resist any unfriendly merger attempt and would attempt to remain independent. But analysts were not so sure that it

Continued on page 29

A. L. Price launches 4th store in Michigan

LANSING, Mich. — Perry Drugs increased its commitment to the deep-discount format with the opening of its fourth and largest A. L. Price discount store in Michigan.

Located here in a partially completed shopping mall called Delta Center, the new 25,300-sq.-ft. A. L. Price (Always Low Price), with 22,000 sq. ft. of selling space, is about 20% larger than the three other deep-discount stores the chain operates in Detroit's metro market, according to Mickey Kole, president of Perry's drug store division.

Perry decided to open the store in Lansing, about 84 miles northwest of the heavily saturated Detroit deep-discount market, the home of F&M, because there are no other deep discounters nor any Perry drug stores in Michigan's state capital. The same holds true for the other area Perry has targeted for the concept, Westland, Mich., where the fifth A. L. Price will open in September or October.

The fourth A. L. Price is set up so that the four biggest-draw aisles, hair care, cosmetics, OTC and paper products, are evenly separated to facilitate traffic flow. Shoppers entering the eight-aisle warehouse-style store are greeted with a huge assortment of trial size products, impulse items, case-cut foods and glassware.

About 50% of the selling space is devoted to health & beauty aids, prominently displayed in block merchandised shelves and in towering waterfall-like endcaps throughout the store. The second aisle is devoted to hair care, with one 120-linear-foot side featuring shampoos, mousses, styling gels, hair sprays, hair colors and, finally, home-perm kits.

The cosmetics department in the store also receives prominent treatment with a 60-ft. pegged section and separate cosmetics counter where prestige fragrances are housed along with other items. The store's everyday discounts are vividly advertised throughout the store.

But the largest category is paper products, which is lodged on the last aisle in a 160-linear-foot section.

According to Kole, paper products bring in the lowest gross margins, 12% to 14%, but the highest turns compared to the other merchandise in the store. When the store reaches maturity in about two years, Kole estimates it should turn over about 1,800 cases of paper products per month.

The Lansing A. L. Price is also equipped with eight high-

Continued on page 30

The A. L. Price in Lansing, Mich., features a warehouse-style layout with ample room for shopping.

NEWS IN BRIEF

FoxMeyer acquires Calif. supplier

DENVER — FoxMeyer has acquired Devco Medical Industries of Santa Fe Springs, Calif., a supplier of medical and surgical supplies to hospitals.

Devco will be FoxMeyer's fifth hospital supply division and the first in the Golden State. Others are in Denver, Oklahoma City, Kansas City and St. Louis.

"This department is not big historically," said Richard Bard, president of the wholesale company, "but we expect it to grow into the $200 million range in the next couple of years."

Bard conceded that "breaking into California with a small drug division [Devco does $25 million a year] will make it easier for FoxMeyer to enter California as a wholesaler, but not right now. We need time to assimilate our two most recent acquisitions—McPike and Yahr-Lange of Wisconsin—before contemplating our next move."

Bard denied rumors that FoxMeyer was negotiating with Pay 'n Save to buy Northwestern Drug as a way to break into the West Coast wholesale drug market.

SupeRx expands food/drug sections

CINCINNATI — Kroger is expanding its convenience food/drug sections inside its freestanding SupeRx drug stores.

Kroger executives said that SupeRx is adding a "limited assortment of convenience foods to its larger stores, while in new facilities and in remodels, as many as 1,000 grocery and perishable items are being offered in addition to the typical drug store selection."

Sales in 1984 for SupeRx drug stores rose 8.8% to $859.5 million, even though the chain's total square footage remained "virtually" unchanged since 1983. SupeRx plans to open 24 new stores in 1985, and will remodel about the same number of existing stores.

SupeRx currently operates 620 stores in 20 states, including 24 SupeRx food and drug stores in Florida.

NACDS name Welsh as exec vp

ALEXANDRIA, Va. — The National Association of Chain Drug Stores Inc. has named William Z. Welsh Jr. executive vp and chief operating officer. Welsh, who joined the NACDS in 1975, was most recently corporate secretary. Welsh will report directly to Robert J. Bolger, president and ceo of the NACDS.

INDEX

Classified	29
Editorial	4
Financial	6
Merchandise News	26
Merchandiser	13
People	9
Pharmacy	21
Product Update	25

Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus extra Pharmacist's Reference issue in April, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rate: Retailers and wholesalers, one year $18; two years $35; three years $50. Manufacturers, schools, libraries and all others, one year $36. Single copy rate $2. Canada add $1 per year. Foreign subscriptions: Airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1985 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks notice to Subscription Dept., 99 Park Ave., New York, N.Y. 10157 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 7, No. 15 July 8, 1985

Bergen names Engle exec vp

LOS ANGELES — Philip Engle, group vp of Bergen Brunswig and a 20-year veteran with the nation's No. 2 drug wholesaler, has been promoted to executive vp.

As executive vp, he will assume the operational responsibilities of the drug company. Elmer Fiery, currently president of the drug company, will continue with some planning activities until he retires on Nov. 15. On that date, Engle will become president.

From 1976 to 1984, Engle was vp of operations. Thereafter—and until he was promoted to executive vp—he was group vp.

As group vp, Engle was responsible for 48 divisions. The five regional vps in charge of those divisions reported to him.

Asked about changes after he becomes president, Engle told *Drug Store News:* "I will get a clearer picture as the Nov. 15 retirement of Elmer Fiery gets closer. But my philosophy is, 'If it's not broken, don't fix it.'"

Engle said that recent Bergen acquisitions have been healthy because they have expanded Bergen's base. In acquiring Davis Bros., and thereby adding Montana and Tennessee, Bergen now has 9,500 accounts in more than half of the states.

He said that the acquisition of Drug Service Inc., "makes for a beautiful fit. DSI is a well-balanced company, especially strong in hospital services."

Engle is highly regarded by Bergen's division managers. Says one: "Phil is especially effective in operations and communications. He has put together a total inventory package and integrated all buying functions into a central computerized system."

Says another: "His strength is in communications. He is easy to work with."

Fiery, who joined Bergen Drug in South Brunswick, N.J., in 1959 as sales manager and progressed through management ranks, was Bergen Brunswig's first national president. His most singular achievement was to merge the eastern and western divisions.

His strengths, according to Bergen execs, are people-management, organizational skills and motivational power.

Fiery recently completed five years of service with the National Wholesale Druggists Association.

Cavallo resigns Thrifty vp post

LOS ANGELES — Dominic J. Cavallo, senior vp-director of store operations at Thrifty, has resigned for what the company said was personal reasons.

However, a source close to Thrifty told *Drug Store News* that Cavallo resigned "because of continuing conflict with [Thrifty president Richard] Eils."

Cavallo and Eils did not return several phone calls.

The source said the conflict "came to a head last August when pharmaceutical buying was taken away from Cavallo and given to Ken Crosby's department. [Crosby is senior vp-director of buying and merchandising.] Until then, purchasing pharmaceuticals had not been a function of the buying department."

The source also said that despite Cavallo's "problems with Eils, Cavallo would not go around him to contact Straus [Leonard Straus, chairman and ceo]."

Straus, aged 70, has said on many occasions that Eils is his heir-apparent, so the Eils-Cavallo conflict placed him in a difficult position. Straus was in Europe and could not be reached for comment.

"Cavallo wanted more hours for the pharmacy department and more clerical help," says a veteran pharmacy expert, "but he kept being overridden. Dominic wanted more pharmacies to go from single to double shifts, but as Thrifty installs computer terminals, double-shift pharmacies are reverting to single shift in increasing numbers."

Still, Cavallo, who joined Thrifty in October 1977, is credited with getting Thrifty's pharmacy department into the black. Leonard Straus has said that until 1979 Thrifty prescription departments had made no money. At Thrifty's annual meeting early in 1985,

Continued on page 30

FINANCIAL

Net earnings rise 10% at Bergen Brunswig

LOS ANGELES — Bergen Brunswig Corp. reported that net earnings for the third quarter ended May 31 increased 10% to $7 million (LIFO), or 56¢ a share, from $6.4 million (FIFO), or 51¢ a share, in the same period last year.

If the company, the nation's second largest drug wholesaler, had used LIFO accounting method last year, quarterly net earnings from continuing operations would have increased 37%.

Sales and other revenues for the quarter were up 51% to $668 million from $442 million in the same year-earlier period.

For the nine months, net income rose 3% to $18.3 million (LIFO), or $1.45 a share, from $17.8 million (FIFO), or $1.41 a year ago.

Under the LIFO method, last year's earnings for the nine months from continuing operations would have increased 25%.

Sales and other revenues for the nine months increased 40% to $1.75 billion from $1.26 billion in the same period last year.

Commenting on the results, Emil P. Martini Jr., chairman and ceo, said that although "acquisitions completed earlier in the fiscal year had a major impact on sales growth for the quarter, the results from existing operations exceeded internal growth targets. Earnings contributions from these acquisitions are also meeting objectives."

Martini said the company was "pleased with the integration of the medical supplies units of Synergex." He said the medical supply division was continuing to show signs of renewed sales growth.

In Bergen's consumer electronics division, Commtron Corp., Martini said sales should exceed $300 million for the current fiscal year.

ALCO Standard revenues up 5%

VALLEY FORGE, Pa. — ALCO Standard Corp.'s second quarter figures showed that revenues, net income and primary earnings per share from continuing operations were all ahead of the same quarter last year.

Net income rose 13% to $15.5 million, or 70¢ per share, from last year's $13.8 million, and 62¢ per share. Revenues were up 5% to $872 million, from $829.3 million.

For the six months ended March 31, the figures were also ahead of last year's. Net income grew by 13% to $32.1 million, up from $28.4 million in 1984.

While ALCO's other operations were affected by "softening business conditions" during the second fiscal quarter, the company's health services showed a 20% rise in revenues to $247.9 million while income before taxes grew 24% to $5.7 million.

ALCO Standard is the country's third largest wholesale drug company with 1984 revenues totaling $3.4 billion.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		From 05/31/85 - 06/17/85							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year	Amt.	Pct			Latest P/E Ratio	Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Long Term Debt	Common Stock Equity
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days							Amt.	Yield		Revenue	Earnings			
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	65.50	58.00	64.00	3.25	5.35	65.50	30.75	.81	.54	1.43	24.70	5.71	1.86 Q	49.7	82.0	1.5	11.4	.64	1.0	03-26-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	16.63	16.50	16.63	.13	.76	17.25	14.50	-.17	.25	-3.63	.00	1.33	-.30 N	-20.4	-8.0	1.1	14.2	.72	4.3	04-15-85	61.5	.7	1.9	15.55	18.26
Big B	BIGB	17.88	16.75	17.00	-.50	-2.86	19.50	8.88	.13	.32	-2.05	-15.77	.68	.14 Q	25.0	29.0	3.0	24.3	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	4.88	4.50	4.50	-.25	-5.26	5.63	3.25	-.42	-1.02	1.63	36.00	.56	-.25 N	-38.5	NC	2.1	11.3	.60	13.3	05-09-85	82.3	1.7	3.0	1.28	5.84
Eckerd, Jack	ECK	30.75	26.13	27.63	-.38	-1.34	32.88	20.00	.58	-1.48	-1.46	-18.27	2.27	-.03 N	-1.4	3.0	3.3	12.8	1.04	3.8	03-11-85	2622.5	85.4	2.0	2.52	16.47
Fay's Drug	FAY	10.13	9.50	9.88	-.13	-1.25	13.00	8.75	-.08	.77	-.78	21.75	.62	-.06 Q	-9.5	49.0	2.4	17.3	.20	2.0	06-24-85	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	12.25	9.13	10.50	-1.75	-14.29	16.63	9.13	-1.09	.53	6.57	-.26	1.03	-.13 Q	-12.7	55.0	1.9	11.8	.20	1.9	06-13-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	29.00	26.13	26.38	-1.63	-5.80	29.88	18.06	-.12	-1.29	-.21	4.25	1.88	.18 Q	10.3	12.0	2.9	13.7	.64	2.4	03-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	5.00	4.25	4.25	-.50	-10.53	7.00	3.50	-.33	-3.03	-5.52	3.48	.43	-.19 N	-43.2	102.0	1.4	17.0	.00	.0	00-00-00	76.7	1.1	1.6	1.12	3.49
Pay N Save	PAYN	23.38	23.13	23.13	-.13	-.54	23.63	15.50	-.13	.14	1.61	45.45	.95	-1.07 F	-53.0	-5.0	1.1	24.3	.00	.0	08-20-84	1394.9	14.8	2.3	14.93	14.89
Perry Drug	PDS	20.38	18.88	19.63	-.38	-1.88	22.13	14.00	.14	-.23	-4.65	-3.35	1.26	.10 S	8.8	17.0	2.1	15.8	.28	1.4	05-20-85	370.3	7.6	1.5	2.40	10.60
Revco Drug	RDS	26.50	24.50	25.00	.38	1.52	32.88	22.50	.15	-.10	1.29	-40.12	2.54	-.45 N	-18.6	17.0	4.2	12.7	.80	3.2	06-10-85	2227.5	93.4	2.1	1.08	12.22
Rite Aid Corp	RAD	30.38	24.13	25.25	-4.63	-15.46	33.50	19.75	-.18	-3.11	7.08	34.66	1.69	.22 F	15.0	11.0	5.4	14.9	.50	2.0	04-09-85	1297.1	69.9	2.3	.49	7.68
Thrifty Cp	TFD	22.25	19.88	20.88	1.13	5.70	22.88	14.25	.22	-.78	-.89	1.54	1.40	.24 S	18.8	21.0	2.1	13.7	.60	2.9	05-06-85	1299.3	27.9	1.5	4.46	7.72
Walgreen Co	WAG	30.25	27.00	27.38	-1.38	-4.78	30.25	17.19	.40	-1.72	-2.56	12.87	1.39	.20 S	15.5	31.0	3.1	18.4	.44	1.6	05-14-85	2744.6	85.4	1.7	.87	6.76
Wholesaler's transactions																										
Bergen Bruns	BBCA	29.25	28.50	28.63	.00	.00	29.50	19.88	.20	.01	-1.68	36.96	1.57	.05 S	2.9	24.0	1.2	16.2	.32	1.1	04-25-85	1703.4	19.7	1.6	1.08	11.11
Bindley Wstn	BIND	15.00	13.00	13.75	.25	1.85	15.00	8.81	.45	-.28	1.44	34.43	.73	.16 Q	26.7	39.0	.8	18.1	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	16.63	16.25	16.50	-.25	-1.49	18.50	10.91	-.51	.33	1.49	84.00	1.01	.09 F	9.8	NC	1.2	16.3	.06	.4	03-26-85	320.0	3.7	1.8	.92	5.91
Durr Fillauer	DUFM	17.75	16.50	16.75	.25	1.52	17.75	10.88	.13	-1.21	-3.20	11.96	.92	.18 Q	22.5	21.0	1.7	17.1	.18	1.1	05-20-85	341.7	5.8	2.3	1.52	7.56
McKesson Cp	MCK	50.00	45.00	46.63	1.75	3.90	50.00	34.13	.37	-.58	.47	31.90	3.78	-.42 N	-10.7	-1.0	1.6	13.3	2.40	5.1	05-28-85	4260.0	68.7	1.4	10.45	30.25
Foxmeyer Cp	FXM	26.88	25.50	25.88	-.63	-2.36	29.75	21.00	.13	-.45	-3.05	18.49	1.56	.29 F	22.8	60.0	1.3	16.6	.00	.0	00-00-00	717.1	9.0	2.0	3.95	11.86
Ketchum	KCH	22.75	17.88	20.75	1.38	7.10	22.75	10.09	1.01	-.44	4.75	-29.77	.77	-.46 N	-49.5	100.0	.3	44.1	.00	.0	09-24-84	245.1	.8	1.5	6.37	6.74
Owens & Minor	OBOD	23.25	21.00	21.50	-.50	-2.27	23.25	12.00	.43	.59	-1.34	9.91	1.43	.17 Q	12.3	49.0	1.2	13.9	.40	1.9	03-11-85	306.7	3.6	3.0	8.02	12.81
Manufacturer's transactions																										
Abbott Labs	ABT	57.25	54.13	56.00	1.88	3.46	57.25	36.75	.17	.12	2.13	8.83	3.34	.49 Q	16.5	26.0	13.0	16.2	1.40	2.5	04-09-85	3104.0	402.6	1.9	3.91	13.33
Am Home Prod	AHP	66.88	62.13	62.88	-2.00	-3.08	66.88	46.75	.14	-.56	-.06	7.62	4.39	.35 Q	8.5	15.0	15.1	14.1	2.90	4.6	05-07-85	4485.5	675.6	3.4	.26	13.74
Baxter Travenol	BAX	15.50	14.75	15.50	.25	1.64	18.13	11.75	-.09	.91	-.53	36.14	1.03	-.39 Q	-26.9	6.0	8.1	14.6	.37	2.4	06-04-85	1800.4	145.1	1.6	1.46	7.83
Block Drugs Co	BLOCA	35.50	34.00	35.50	3.00	9.23	35.50	24.28	.46	.68	-2.80	35.00	3.48	.30 F	9.4	15.0	10.5	10.2	1.00	2.8	02-25-85	247.8	25.9	2.3	2.34	20.08
Bolar Pharm	BLR	39.50	35.00	38.00	-1.13	-2.88	45.25	22.50	-.78	.41	-3.65	-8.50	1.22	.15 Q	12.9	40.0	18.2	29.0	.05	.1	02-08-85	29.1	5.3	7.5	.00	7.41
Bristol-Myers	BMY	61.50	59.63	60.75	-.25	-.41	61.50	43.38	.02	.23	-1.36	12.95	3.45	.42 Q	13.4	20.0	11.3	17.1	1.88	3.1	06-28-85	4189.4	472.4	2.5	.75	15.63
Carter-Wallace	CAR	39.75	37.25	39.75	4.38	12.37	39.75	20.50	.60	.68	.51	8.58	2.66	.29 F	12.2	34.0	5.9	14.9	.52	1.3	04-12-85	348.8	20.7	2.4	1.69	21.87
Forest Labs	FRX	30.00	26.38	27.13	-.13	-.46	30.00	11.25	.99	-.61	-2.86	.56	.73	.19 F	35.2	21.0	16.3	37.2	.00	.0	01-14-83	25.8	4.2	8.3	.28	5.42
ICN Pharm	ICN	10.50	9.38	9.75	.00	.00	11.63	6.75	-.20	.17	.16	-22.76	.00	-.18 Q	-78.3	52.0	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	10.25	9.13	10.13	.13	1.25	17.13	8.00	.08	1.56	1.33	42.62	.61	.06 Q	10.9	63.0	14.6	16.6	.20	2.0	03-11-85	151.1	22.1	2.1	1.16	1.67
Lilly Eli Co	LLY	90.38	83.75	85.25	-.25	-.29	90.38	53.00	.34	-.61	1.84	-12.35	6.73	.60 F	9.8	12.0	15.8	12.7	3.20	3.8	05-09-85	3109.2	490.2	1.7	1.63	31.04
Lee Pharm	LPH	6.25	5.63	5.63	-.63	-10.00	9.63	2.13	-.43	-.78	1.49	-11.50	.13	.58 S	NE	16.0	6.2	23.4	.00	.0	00-00-00	8.1	.5	3.0	.20	1.73
Marion Labs	MKC	39.75	35.13	35.25	-2.13	-5.69	39.75	16.50	.18	-1.93	-1.50	28.13	.62	.29 N	51.8	60.0	10.6	41.5	.28	.8	06-14-85	226.4	24.1	2.4	.02	3.52
Merck & Co	MRK	113.50	107.50	111.25	2.63	2.42	113.50	78.25	.25	.35	-.15	29.34	6.71	.60 Q	9.6	7.0	13.8	16.2	3.20	2.9	06-03-85	3559.7	493.0	2.0	2.48	35.29
Morton Thiokol	MTI	34.38	31.13	31.75	-1.63	-4.87	35.50	23.81	.04	-1.07	.93	31.74	2.16	1.89 N	93.1	45.0	5.5	8.1	.64	2.0	05-24-85	2001.5	109.8	1.5	2.94	12.50
Mylan Labs	MYLN	25.38	22.75	25.38	2.63	11.54	25.38	8.34	.11	2.97	-.69	39.14	.52	.32 F	160.0	108.0	23.3	48.8	.05	.2	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	10.88	9.63	10.75	.25	2.38	12.00	2.75	.15	.03	-5.08	-17.96	-.21	.17 N	NE	-10.0	-26.0	NM	.80	7.4	05-23-85	7.7	-2.0	2.6	.22	.93
Pfizer Inc	PFE	50.50	46.88	48.38	-1.63	-3.25	50.88	29.38	.06	.41	-.63	-5.69	3.08	.38 Q	13.5	22.0	13.2	15.1	1.48	3.1	05-20-85	3854.5	507.9	2.3	2.10	15.45
Reid Prov Labs	REID	6.00	4.13	6.00	1.38	29.73	6.00	2.75	.38	3.33	7.57	2.34	.12	-.08 N	-40.0	87.0	6.7	50.0	.04	.7	12-10-84	13.4	.9	3.1	.02	.92
Robins, AH	RAH	18.00	15.75	17.00	-1.25	-6.85	24.38	12.00	-.54	1.30	-.21	-17.21	-18.44	-20.58 Q	-100.0	-96.0	-73.0	NE	.00	.0	11-19-84	631.9	-461.6	1.7	.47	-5.23
Rorer Group	ROR	35.13	33.00	33.50	-.13	-.37	35.13	24.00	.52	-.59	5.39	3.48	2.08	.00 Q	.0	6.0	8.5	16.1	1.12	3.3	05-06-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	11.38	11.00	11.13	-.13	-1.11	12.38	8.63	-.16	.38	-3.13	9.95	-.43	-.95 F	-100.0	-17.0	-2.0	NE	.32	2.9	06-12-85	167.4	-3.4	1.9	4.83	11.14
Searle, GD	SRL	58.00	53.88	54.50	.00	.00	65.50	40.25	.29	.22	-.71	-26.92	3.24	.22 Q	6.9	18.0	13.0	15.9	1.00	1.8	05-07-85	1245.8	161.6	2.1	3.46	17.37
Squibb Corp	SQB	62.50	59.13	59.13	-4.00	-6.34	64.63	41.88	-.06	-.52	-1.46	-1.96	3.68	.41 Q	12.2	22.0	10.5	15.7	1.76	3.0	05-13-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	34.25	30.63	31.00	-2.50	-7.46	34.25	24.00	.05	-.34	-1.58	18.36	2.37	.14 Q	6.2	5.0	7.8	12.9	1.20	3.9	04-30-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	64.25	60.25	60.88	-1.38	-2.21	65.00	39.88	.07	-.64	.63	-11.31	4.08	-.27 N	-6.2	19.0	14.7	14.6	1.92	3.2	05-13-85	916.5	134.6	2.1	5.36	18.81
Thompson Med	TM	16.50	15.38	15.75	-.50	-3.08	25.63	13.25	.48	.39	.51	-12.06	2.20	-.09 Q	-4.5	42.0	10.8	8.3	.40	2.5	03-25-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	112.50	103.00	105.25	-2.00	-1.86	113.88	45.00	.56	-.57	-1.20	6.72	5.67	-.69 Q	-11.7	.0	8.0	20.2	2.56	2.4	04-01-85	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	42.25	40.38	41.25	.00	.00	42.25	28.75	.22	.28	-.56	.20	2.81	.28 Q	10.7	7.0	7.1	14.3	1.48	3.6	05-06-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	43.75	39.50	43.75	1.75	4.17	45.25	8.66	-.11	2.37	-5.61	21.44	.56	.52 Q	120.9	117.0	7.7	46.1	.00	.0	03-13-85	37.5	2.9	2.6	.55	3.97

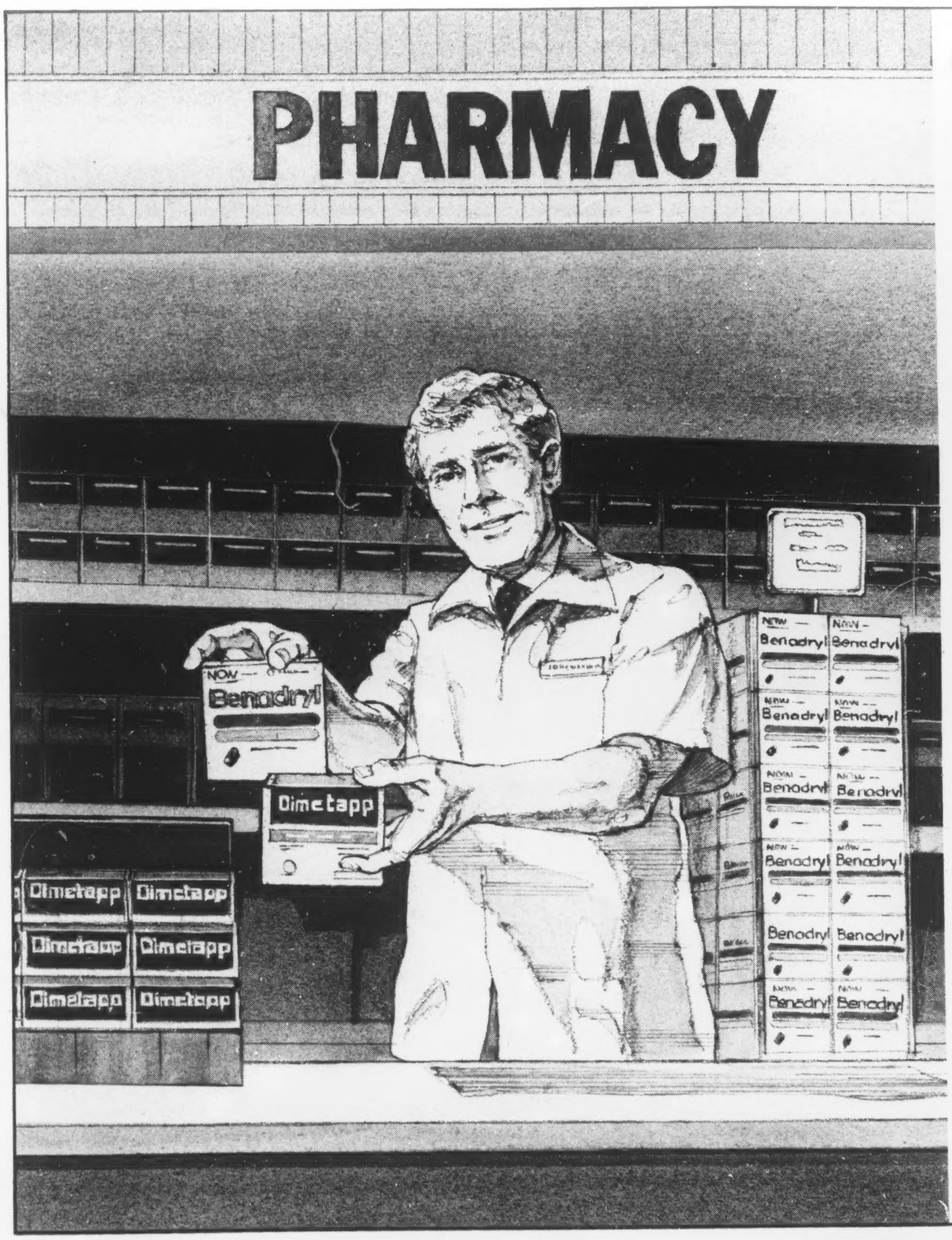
All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes: NA - Not Applicable; NC - Not Calculable; NE - Negative Earnings; NM - No Meaningful Figure; Q - First Quarter; S - First 6 Months; N - First 9 Months; F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISER

PHARMACY



OTC conversions to bolster health of cough/cold

With two more top-selling prescription cough/cold and allergy products going over the counter this year, drug retailers are expecting another blockbuster year from the cough/cold category.

This year's new entries include Dimetapp, the cold and allergy product from A. H. Robins, and Benadryl, the antihistimine and antihistimine/decongestant from Parke-Davis.

Both Dimetapp and Benadryl join a cough/cold/allergy category that has undergone a radical transformation in recent years as a resuit of the Rx to OTC conversions of such hot-performing prescription drugs as Actifed, Drixoral and Sudafed.

So successful have these conversions been that last year Actifed and Drixoral each had two of the top 10 selling OTC products in dollar sales, according to the *Drug Store News* Top 100 OTC List.

Retailers are betting that Dimetapp and Benadryl will follow in Actifed and Drixoral's footsteps. But their grand entry may also accelerate the passing of a number of perennial favorites in the department. Some buyers already have begun weeding out some of the unproductive cough and cold products to make room for the newcomers.

Since its introduction in 1961, Dimetapp has racked up an impressive record as one of the most frequently prescribed cold remedies for both adults and children. According to Robins, approximately 146 million prescriptions were written for Dimetapp from 1973 to 1983, compared with 123 million for Actifed and 55 million for Drixoral.

Robins expects that as an OTC drug, Dimetapp will probably generate four times the estimated $54 million it did in sales as an Rx product. The company believes that Dimetapp's market share after its first year as an OTC product, could fall somewhere between Actifed's 5.1% share and Drixoral's 7.4% after their first year as OTC.

To capture that kind of market share, Robins will support Dimetapp with an extensive television and print budget during the cold season that will well exceed $5 million.

Continued on page 14

Differing plans used to raise feminine hygiene sales

In 1984, according to A. C. Nielsen, food stores commanded 60% of the sanitary napkin market, down 2 share points since 1983, while drug stores trailed, a distant second, with 25.5% share, up 0.5% over the previous year.

With the flurry of new sanitary napkin products on the market and limited shelf space, chain drug stores are going in two directions to maintain their share of the market. Some are cutting back drastically on slow-moving sku's and hoping to lure shoppers looking for convenience, while others are providing a huge selection in an attempt to nab shoppers who would otherwise buy pads in food stores.

Major surgery is now being carried out at Fay's, where buyer Ray Meissner last year added 33 sku's of pads. He is now cutting back on slow-moving sku's like minipads and some of the 12 and 48 sizes, in other pad lines. Other buyers agree that the sku's they added last year are beginning to thin out on their own and cutbacks are being made based on consumer response.

But Ribordy Drugs based in Valparaiso, Ind., buyer John Weal has taken a different tack. "We believe that selection is the key because the customer is so confused by all of the various types of napkins on the market," he told *Drug Store News*. "Until we can make some wise decisions, we don't want to cut out any wrong sku's, and lose part of our business," he added.

In order to accommodate 95% of all the sku's on the market—about 87 according to Weal—Ribordy has reduced all pad products, except private label, to one facing.

Currently the $930 million sanitary napkin market breaks down into four categories: superabsorbent thin maxis; pantyliners; full-size thick, and minipads. According to a report by Salomon Brothers, superabsorbent thins are the growing market with a 30% share, while the market for minipads is steadily declining.

A survey of buyers at Ribordy, Sentry, Page and Fay's and other chains confirmed that the minipads are dying while the superabsorbent-thin pads are moving well. But buyers agree that the public needs to be more educated about the convenience of the superthin maxi pads.

Continued on page 15